

Message Text

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ACTION OES-09

INFO OCT-01 EUR-12 ISO-00 IO-14 ACDA-12 CIAE-00 INR-10
L-03 NSAE-00 NSC-05 EB-08 NRC-07 SOE-02 DODE-00
SS-15 SP-02 CEQ-01 PM-05 OIC-02 AF-10 ARA-14
EA-12 NEA-10 /154 W
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R 111435Z JUL 78
FM AMEMBASSY VIENNA
TO SECSTATE WASHDC 7128
INFO USDOEHQ WASHDC
USDOEHQ GERMANTOWN

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USIAEA

DEPT PASS IO/SCT AND S/AS
DOE FOR AMMONS AND GIAMBUSSO, IA

E.O. 11652: N/A
TAGS: ENRG, TECH, IAEA
SUBJECT: INFCE: WG-3: PHILIPPINE COMMENTS ON U.S.
FUEL BANK PAPER

REF: VIENNA 6236

1. AS NOTED PARA 2 REFTTEL, PHILIPPINE MISSION HAS
MADE AVAILABLE COPY OF AMBASSADOR SIAZON'S COMMENTS
ON U.S. FUEL BANK PAPER. IN FURTHER DISCUSSION,
MISS CASTANO OF PHILIPPINE MISSION HAS EXPRESSED
DOUBT THAT DR. IBE, COMMISSIONER OF PHILIPPINE
ATOMIC ENERGY COMMISSION, WOULD BE ABLE TO OBTAIN
PERMISSION OF HIS GOVERNMENT TO BE IN VIENNA TO
CHAIR JULY 24 - AUGUST 1 MEETING OF WG-3.

2. PHILIPPINE COMMENTS ON U.S. FUEL BANK PAPER FOLLOW:
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- "(1) IS A BANK NEEDED AND IF SO WHAT SHOULD BE
ITS OBJECTIVES?

- AN INTERNATIONAL MECHANISM TO PROVIDE INTERNATIONAL
PROTECTION FOR QUALIFIED FUEL SUPPLY CUSTOMERS AGAINST
ANY CONTRACT DEFAULT WHICH IS NOT THE RESULT OF A

VIOLATION OF NON-PROLIFERATION UNDERTAKING WOULD BE VERY IMPORTANT IN ESTABLISHING CONFIDENCE IN NUCLEAR ENERGY AS A STABLE SOURCE OF ELECTRIC POWER.

- THE INTERNATIONAL MECHANISM WHICH MAY BE AN INTERNATIONAL FUEL BANK SHOULD BE IN A POSITION TO PROVIDE WHEN NECESSARY, NATURAL URANIUM AND THE RELATED SERVICES IN THE -NUCLEAR FUEL CYCLE.

- THE ORGANIZATIONAL SET-UP OF SUCH A BANK WILL HAVE TO BE DESIGNED TO ENSURE SUFFICIENT INTERNATIONAL CONFIDENCE IN THE BANK'S ABILITY TO PROVIDE ASSURANCES OF NUCLEAR FUEL SUPPLY AND SERVICES.

- THE INFA SHOULD NOT SUPPLANT BI-LATERAL ARRANGEMENTS OF ASSURANCES OF SUPPLY. IT SHOULD SERVE AS AN ADDITIONAL MECHANISM FOR NUCLEAR FUEL SUPPLY.

- (2) WHAT RESOURCES SHOULD BE MADE AVAILABLE?

- THE INFB SHOULD HAVE PHYSICAL CONTROL OF SOME NUCLEAR MATERIAL SUFFICIENT TO IMMEDIATELY MEET EMERGENCY NEEDS OF ITS MEMBERS. THE EXACT QUANTITY OF NUCLEAR MATERIAL WILL HAVE TO BE ESTABLISHED LATER AND SHOULD BE A FUNCTION OF THE INSTALLED CAPACITY OF MEMBER STATES.

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- INFB DOES NOT NEED TO HAVE PHYSICAL CONTROL OF THE GREATER PART OF THE MATERIAL WHICH FORMS ITS STOCKPILE. LEGAL CONTROL ON THE MATERIAL AND ASSURANCES OF MEMBER STATES OF THE AVAILABILITY OF SERVICES IN THE NUCLEAR FUEL CYCLE SHOULD BE SUFFICIENT.

- THE WORKING CAPITAL FUND FOR THE INFB CAN BE ESTABLISHED FROM CONTRIBUTIONS OF MEMBERS DETERMINED IN ACCORDANCE WITH THE UNITED NATIONS SCALE OF ASSESSMENT APPROPRIATELY PRORATED.

- THE OPERATION OF THE INFB MAY BE FUNDED BY CONTRIBUTIONS OF MEMBERS BASED ON THE UNITED NATIONS SCALE OF ASSESSMENT APPROPRIATELY PRORATED BY APPLYING THE FINANCIAL ARRANGEMENTS FOR THE SAFEGUARDS ACTIVITIES OF THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA).

- (3) HOW MIGHT THE BANK BE STRUCTURED AND WHAT SIGNIFICANT QUESTIONS NEED TO BE CONSIDERED?

- (A) ALL STATES MEMBERS OF THE UNITED NATIONS, ITS SPECIALIZED AGENCIES OR THE IAEA, PREPARED TO SUPPORT ACCEPTABLE NON-PROLIFERATION CRITERIA MAY BE MEMBERS

OF INFB.

- (B) IT IS PREFERABLE TO HAVE THE INFB LINKED TO THE IAEA SINCE THE AGENCY PROVIDES OTHER RELEVANT SERVICES. HOWEVER, IN VIEW OF THE AGENCY'S STATUTE, IT MAY BE DIFFICULT TO MAKE THE INFB SELECTIVE, PARTICULARLY WHEN THE CRITERIA FOR SELECTION RELATES TO NON-PROLIFERATION CONDITIONS BEYOND THAT WHICH IS PRESENTLY GENERALLY ACCEPTABLE IN THE AGENCY. HOWEVER, IT IS POSSIBLE TO ENVISAGE A SITUATION WHEREIN THERE WOULD BE A SUFFICIENT NUMBER OF MEMBERS

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OF THE BOARD OF GOVERNORS AND THE GENERAL CONFERENCE
OF THE IAEA FAVORING AN INFB ESTABLISHED UNDER ITS
AUSPICES.

- INFB MAY ALSO BE ESTABLISHED SEPARATELY FROM
THE IAEA IN THE SAME MANNER AS OTHER UNITED NATIONS
AGENCIES OR INTERNATIONAL BODIES.

- (C) WHAT CONDITIONS OF ACCESS OBTAIN?

- THE CONDITIONS OF ACCESS HAVE TO BE SERIOUSLY
CONSIDERED. IT IS OF COURSE PRESUMED THAT ONLY
STATES QUALIFYING AS MEMBERS MAY AVAIL OF THE BANK'S
SERVICES. HOWEVER, NON-NUCLEAR WEAPON STATES SHOULD
BE DISQUALIFIED FROM AVAILING OF THE BANK'S SERVICES
SINCE THE FUNDAMENTAL PURPOSE FOR THE ESTABLISHMENT
OF THE BANK IS TO DISCOURAGE NON-NUCLEAR WEAPON

STATES FROM DEVELOPING TECHNOLOGY WHICH MIGHT PROVIDE THEM WITH BOMB MANUFACTURING CAPABILITY.

- NON-NUCLEAR WEAPON STATES WHICH ARE MEMBERS OF THE BANK MAY HAVE ACCESS TO THE BANK'S SERVICES IF UNCLASSIFIED

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THEY:

- (C.1) DEMONSTRATE SOME FAILURE OF THEIR SUPPLY SYSTEM NOT RELATED TO NON-PROLIFERATION CONSTRAINTS, OR

- (C.2) ARE OTHERWISE WILLING TO PAY AN ACCEPTABLE PREMIUM ABOVE THE PREVAILING MARKET PRICE IN ORDER TO RECEIVE FUEL SUPPLY AND/OR SERVICES FROM THE BANK.

- PRIORITIES HAVE TO BE ESTABLISHED FOR THE UNLIKELY EVENT THAT DEMANDS EXCEED AVAILABLE SUPPLY. AS A GENERAL RULE, DEVELOPING COUNTRIES SHOULD BE GIVEN PRIORITIES BECAUSE THEY CAN HARDLY AFFORD TO BEAR THE ECONOMIC COSTS OF LOSSES DUE TO POWER SHORTAGE. THE SECOND IMPORTANT CRITERIA FOR DETERMINING PRIORITIES SHOULD BE THE SIZE OF THE INSTALLED POWER GENERATION CAPACITY OF THE COUNTRY CONCERNED. THE SMALLER ITS INSTALLED POWER GENERATION CAPACITY, THE LESS ITS ABILITY TO BEAR LOSSES DUE TO POWER SHORTAGES. PRIORITY SHOULD BE GIVEN TO THE COUNTRY WITH A SMALLER INSTALLED POWER GENERATING CAPACITY.

- (D) ARBITRATION PROCEDURES WILL BE NECESSARY. THE REVIEW OF APPLICATIONS AND CLAIMS MAY BE DONE BY THE BOARD OF GOVERNORS OF THE INFB OR BY AN AD HOC GROUP ESTABLISHED FOR THAT PURPOSE." LEAHY

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